For disputes arising under the Plan, service of legal process may be made upon the Plan Administrator or theTrustee.

Trust Information

Type of Plan	Pension - Defined Benefit
Plan Trustee	Northern Trust 50 South La Salle Street Chicago, IL 60603
Plan Records	The Plan's fiscal records are kept on a plan year which is the 12-month period beginning on January 1 and ending on December 31.

ERISA STATEMENT OF RIGHTS

As a participant in the Pepco Holdings, Inc. Retirement Plan – PHI Sub Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan participants shall be entitled to:

Receive Information about Your Plan and Benefits

As a Participant of the Plan, you are entitled to certain rights and protections under ERISA. You may:

- Examine, without charge, at the Plan Administrator's office and other specified locations, such as worksites and union halls, all documents governing the Plan, including insurance contracts, collective bargaining agreements and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefits Administration.

- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including insurance contracts and collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may assess a reasonable charge for the copies.

- Receive a summary of the Plan's annual financial report. ERISA requires the Plan Administrator to furnish each Participant with a copy of this summary annual report.

- Obtain a statement telling you whether you have a right to a pension benefit at normal retirement age (age 65 or 5 years after you become a plan member whichever is later) and if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension benefit, the statement will tell you how many more years you have to work to get a right to a pension benefit. This statement must be requested in writing and is not required to be given more than once a year. The Plan must provide the statement free of charge.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who administer your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may

order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or your rights under ERISA, you should contact the nearest office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, DC 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration at 1-800-998-7542.

We are becoming

conectiv

facts

UPDATE ON BENEFITS PLANNING PROCESS

Although *details* of the benefit arrangements under Conectiv's Total Rewards Program are still being worked out, a decision has been made to adopt a "cash balance" pension plan for management employees. Discussions will take place with the companies' unions to determine if, when, and the extent to which represented employees may also be covered by the cash balance plan.

Since this is a new concept for both DPL and AE employees, we have put together the following background information to help you get familiar with the concept of a cash balance pension plan. *Note that the details and examples are purely hypothetical at this point.*

How a "Cash Balance" Pension Plan Works

For many years, both DPL and AE employees have been covered by "final pay" pension plans. Under these type plans, pension benefits are determined by a formula that is based on an employee's pay in the years before retirement, as well as by Social Security and length of service.

A "cash balance" pension plan is very different. Under this type of plan, the company makes a contribution each year—usually a percentage of pay—to an employee's pension account. Over a person's working career, the pension account grows in two ways: through the yearly company contributions and through annual interest, which is also credited by the company.

At retirement, the employee can take the current cash value of the pension account either in the form of a single cash sum or as a guaranteed lifetime monthly income, whichever he or she prefers.

EXHIBIT
P-3
3/13/07

MWW01

Basically, it's that simple. There are no complex formulas tied to what someone's pay or Social Security might be ten or thirty years from now. A cash balance plan works more like a savings account. The plan is easier to understand. And, because employees can watch their pension accounts grow over the years, they are likely to have a better idea of their own future financial positions.

All Contributions Made by the Company

Employees do not contribute to a cash balance pension plan. All contributions are made by the company.

The company also contributes a set amount of interest to employees' accounts each year. Usually, this interest amount is related to a rate that is relatively stable, such as U.S. treasury bonds. Cash balance pension accounts are generally not tied to rates of return that are more volatile, such as the stock market.

Survivor Benefits

If an employee were to die before retirement, the current value of the cash balance pension account would be paid to the employee's beneficiary. This is another difference from the current "final pay" plans, where a percentage of a future pension is payable only to a surviving spouse.

An Example

Here is a *hypothetical* example of how an employee's "cash balance" pension could accumulate over a career. Keep in mind that no plan features have been decided.

For this example, we have assumed that:

- the employee is hired at age 25 with starting annual pay of $30,000;
- the company makes an annual contribution of 5% of pay;
- the company credits the employee's account with average annual interest of 6%;
- pay grows at an average of 3% per year.

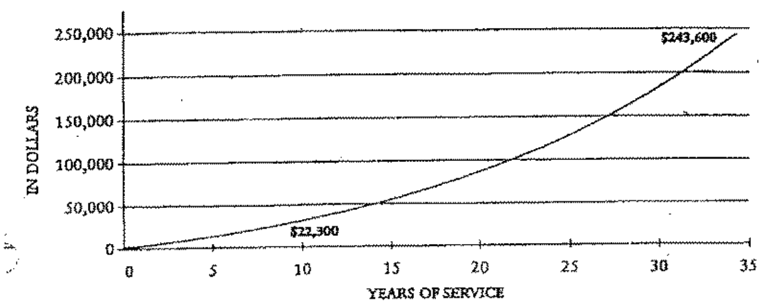
If this employee works for the company for a full career of 35 years, he or she would accumulate a pension account of $243,600. This could be taken, at the employee's option, as either a single cash amount or as a guaranteed lifetime income of about $2,100 per month.

MWW0023

If the employee leaves the company after ten years, he or she can transfer the $22,300 that would then be in the account to a new employer's pension plan, if available, or to an IRA. That amount could then continue growing, tax deferred, until the employee retires, or even beyond.

LUMP SUM BENEFIT GROWTH OVER 35 YEARS

New Hire Age 25 with $30,000 Annual Salary



In case of the employee's death before retirement, the *full* value of the pension account at that time would go to his or her beneficiary.

Transition Issues

In addition to details of potential plan design issues being worked out, transition issues that will be important regardless of the type of pension plan Conectiv eventually adopts are also under discussion. The transition rules will be designed to be fair to all employees and sensitive to the concerns of various groups affected, from new employees to those who are approaching retirement age.

MWW00

Additional Information to Come

Management is very aware of employees' interest in pension and other benefit issues. As soon as more decisions are made about the details of Conectiv's Total Rewards Program, we will provide you with full information. In the meanwhile, please continue to address any questions we may be able to answer to your manager.

We appreciate your continued patience during this important design process.

MWW002